

CITY OF SLOAN
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

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CITY OF SLOAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Charles Thorpe	Mayor	January, 2016
Lawrence Johnson	Council Member	January, 2014
Darrel Iverson	Council Member	January, 2014
Jeff Redmond	Council Member	January, 2016
Karen Ping	Council Member	January, 2016
Sandra Thorpe	Council Member	January, 2016
Dixie Iverson	City Clerk	Indefinite
Jeffery Sar	Attorney	Indefinite
(After January 2014)		
Charles Thorpe	Mayor	January, 2016
Jeff Redmond	Council Member	January, 2016
Karen Ping	Council Member	January, 2016
Sandra Thorpe	Council Member	January, 2016
Jill Smith	Council Member	January, 2018
Darrel Iverson	Council Member	January, 2018
Dixie Iverson	City Clerk	Indefinite
Jeffery Sar	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Sloan for the period July 1, 2013 through June 30, 2014. The City of Sloan's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Sloan, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Sloan, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sloan and other parties to whom the City of Sloan may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Humphelman, Putzler & Co., PLC

January 16, 2015

DETAILED RECOMMENDATIONS

CITY OF SLOAN
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Utilities – billing, collecting, depositing and posting.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations were not reviewed by an independent person.

Recommendation – Monthly bank reconciliations should be reviewed by an independent person and document the review by signing or initialing and dating the monthly reconciliations.

(C) Petty Cash – The City's petty cash funds were not included in the City's accounting records and resulting fund balances. Additionally, petty cash funds on hand at the Library were not maintained on an imprest basis and included receipts from copies, faxes, stamps and other fees not separately accounted for.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate detailed statement of all public funds collected, received, or expended for any City purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the Clerk's accounting system.

Cash funds should be maintained on an imprest basis to provide additional control over these funds. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits. Also, receipts for copies, faxes, stamps and other fees should be accounted for separately to facilitate the depositing of these collections intact.

CITY OF SLOAN
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014

- (D) Payroll –The City Council approves all pay increases, however, the wage increases are approved as a percentage rather than by specific amounts.

Recommendation – Wages of all employees should be adequately documented in the City Council minutes.

- (E) Journal Entry Approval – The City Clerk has control over multiple duties within the City due to its relatively small size, including preparing and posting journal entries. It was noted that there is no independent approval of journal entries prepared and posted.

Recommendation – The City should implement a procedure to have an independent person review and authorize journal entries prepared by the City Clerk such as the Mayor or member of the City Council. Authorization should be documented by the initials of the reviewer as well as the date of the review.

- (F) Disbursements – Certain disbursements relating to utility refunds do not appear to be approved by the City Council.

Recommendation – The City should ensure that all disbursements are approved by the City Council.